

PROCEEDINGS
OF
THE TRAVANCORE SRI MULAM ASSEMBLY.

Friday, the 19th July 1935/3rd Karkatakam 1110.

JOINT SITTING OF THE LEGISLATURE.

The Assembly met, in joint session with the Sri Chitra State Council, in the Victoria Jubilee Town Hall, at Eleven of the clock, the President presiding.

MR. C. S. KRISHNASWAMI AIYAR (*Ag. Financial Secretary to Government*): Sir, I rise to present the Budget Estimates of the State for 1111. But before doing so, it would be of some use to take a brief survey of the present financial position of the State.

MR. P. K. NARAYANA PILLAI (*Ambalapuzha I*): Sir, I rise to a point of order. There are certain new Members in this House who have not been sworn in. I wish to know whether they should not be sworn in first before the Financial Secretary begins his speech.

PRESIDENT: Not necessary. There is the necessary quorum even without the new members being sworn in.

MR. C. S. KRISHNASWAMI AIYAR (*Ag. Financial Secretary to Government*): Till recently, the financial policy of the Government had been generally to keep each year's expenditure within the revenue realisations of that year and to lay by the available surpluses as a reserve for future requirements. The reserve so built up by Government rose as high as Rs. 170.13 lakhs at the close of 1104. Excepting the Kodayar Irrigation Project and the Quilon-Shencottah Railway, practically no commercial or capital work had been undertaken till then. The Kodayar Project was financed from the revenue surpluses, while the Quilon-Shencottah Railway was financed by the Secretary of State for India, this Government only guaranteeing to recoup the loss, if any, in its working. Though the two undertakings may be considered productive in the sense that they have contributed much to raise the value of land, to extend cultivation and improve means of communications, they have not been adequately remunerative from the purely financial point of view. The yield on the capital invested on the Kodayar Project is only 2.2 per cent. while the loss on account of the working of the Quilon-Shencottah Railway has had to be recouped every year from the revenues of the State. The extension of the Railway to Trivandrum improved matters to some extent. But the recent extension still further of the line to Thampinur, having consumed a comparatively larger proportionate capital outlay, has made the scheme less remunerative. The Neendakara and the Neriyaungalam bridges may be cited as other recent capital undertakings, which though really helpful in opening out to road traffic tracts till then not easily accessible nor explored, cannot

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[Mr. C. S. Krishnaswami Aiyar.]

be strictly called remunerative. The Trivandrum Water Works is, no doubt, an undertaking of immense public utility. But from a financial point of view, the scheme cannot be expected to fetch anything like an adequate return on its capital outlay. In fact, except for a few recent electrical undertakings, none of our capital works, whether financed out of the Reserve with Government or from borrowed funds, have begun to yield a return that can compensate Government for the interest they lose, or have to pay back to their creditors, by not investing their surplus cash balances in gilt edged Securities. None the less, it was the reserves alone that were mostly drawn on hitherto to meet the cost of such undertakings; and as a result the Government balance which stood at Rs 170.13 lakhs in 1104 had fallen down to Rs 119.74 lakhs at the end of 1108.

The State revenue, which reached its highest point *viz.*, Rs 251.16 lakhs in 1104 has also been declining since then: and in spite of re-trenchments in expenditure during the years that followed, there was a heavy deficit of Rs 12.23 lakhs in 1106, the first of its kind after 1097, though the years 1105, 1107 and 1108 ended with surpluses.

The question of financing the Pallivasal Hydro-Electric Scheme costing Rs 70.76 lakhs came up for the consideration of Government in 1109 and the Sinking Fund of Rs 70.67 lakhs which had been accumulated out of current revenues for purchasing the Quilon-Shencottah Railway was proposed to be diverted, in case of necessity, for that scheme and a major portion of that fund amounting to Rs 60.65 lakhs has since been reconstituted as a general reserve.

This question came up for discussion at the budget session last year. Government have also been considering for some time past the best way of financing undertakings like the schemes just mentioned. It is an admitted canon of financial policy that the amounts taken from the tax-payer and held in reserve should be given back to him in the shape of social amenities or nation building activities and are not utilised wholly for capital undertakings, whether remunerative or otherwise. As it is however necessary to keep pace with the times, the State has to enlarge its activities also by promoting capital or commercial undertakings likely to benefit or improve the condition of the people and for these, though Government may in the first instance indent on their reserves temporarily, it is but right that the schemes should eventually be met only from borrowed capital. In utilising the reserves for such undertakings of public utility in the past, considerations other than the purely commercial aspect of the matter seem to have prevailed.

2. With these preliminary observations, I shall now proceed to review the financial positions for the current and ensuing years, beginning, as usual, with a brief explanation of the transactions of the last completed financial year.